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Temper market gloom: Stop inundating Californians with bad economic news and help bolster consumer confidence

By Alan Nevin

Open up any newspaper and you will find headlines focusing on the dreadful economy, downfall of the housing market and threat of a recession. Look again at those same stories and you will find that they focus on blame and speculation. What's missing is the emphasis on solutions and positive changes taking place to improve the economy. Enough is enough.

The government at all levels is taking action. Recently, President Bush increased the limits on government-backed housing loans to ease the foreclosure crunch and make homeownership more affordable in high-cost areas in California.

Perks for Homebuyers



AP photo

Homes in California are now more affordable than ever for first-time homebuyers. But such good news gets overshadowed by media coverage obsessed with reporting on the downturn in the economy.

Gov. Schwarzenegger has been pushing for a permanent increase to the home-loan limits, and he has launched the "90 Days of Hope" campaign, which educates Californians about the homeownership process. Even local government is getting into the act, as many are deferring payment of impact fees that cover the effects of new construction on public facilities. These fees can add \$150,000 to the price of a home in some locations.

In addition, homebuilders are changing the sizes and types of homes being built. Working with local government, they are offering smaller homes and compact developments, allowing people to utilize lower-cost mortgage products. This means homes are becoming more affordable.

All this good news is being buried behind the bad news. Unfortunately, the story not being told is the consequence of consumers being inundated with doom and gloom stories and the far-reaching impact this has on consumer confidence and the economy.

The net impact of the continual negative drumbeat against consumer confidence means that dramatically positive government actions are minimized. How can consumers regain confidence when headlines on every page of the newspaper assert, "expect continued decline"?

The pessimism is affecting all Californians, particularly the state's fastest growing population: Latinos. A recent survey of California's Latino community showed that a significant number of prospective homebuyers are "waiting for further declines" before they buy.

The consumer confidence index, a monthly measure of consumer confidence, has declined considerably. From December 2007 to January 2008, it fell from 90.6 to 87.9

(out of 100), meaning that consumers expect business conditions to worsen within the next six months. The consequences will have detrimental effects on our economy.

As pessimism increases, there is a corresponding decrease in the willingness of consumers to open their checkbooks and spend. All of which means less money is being pumped into the economy, which causes continued economic uncertainty.

Rather than making matters worse by reinforcing the negative, community leaders should highlight the recent economic enhancements that are helping to improve conditions. Instead of sensationalism, education is one of the key components to restoring confidence.

For example, Web sites such as www.cahomeownership.com allow consumers to educate themselves about the home-buying process and how to avoid foreclosure. Additional analysis reveals that right now, mortgage rates are at historically low levels and homes are more affordable, making the entry-level home more accessible than ever.

End 'Get-Rich' Scheme

Most important, education and positive news help derail the investment mentality in which consumers view homes as a get-rich-quick-scheme

and restore homeownership as the centerpiece of the American dream.

The bottom line is that California should not accept the demise of consumer confidence and resign itself to a recession. It's time for newspapers and other media to report on the progress, solutions and opportunities that are taking place. We should be showing that there is hope in the market because, ultimately, it is consumers who will lead us out of this economic downturn.

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